

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FLATHEAD LAND TRUST

DECEMBER 31, 2020 AND 2019



FLATHEAD LAND TRUST

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Flathead Land Trust
Kalispell, Montana

We have audited the accompanying financial statements of Flathead Land Trust, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flathead Land Trust, as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2019 financial statements were reviewed by us, and our report thereon, dated October 13, 2020, stated that we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Junkermier, Clark, Campanella, Stevens, P.C.

Kalispell, Montana
November 12, 2021

FLATHEAD LAND TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 173,705	\$ 101,811
Other current assets	<u>1,325</u>	<u>3,657</u>
TOTAL CURRENT ASSETS	<u>175,030</u>	<u>105,468</u>
PROPERTY AND EQUIPMENT		
Property and equipment	13,167	11,393
Less: Accumulated depreciation	<u>(11,240)</u>	<u>(10,892)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>1,927</u>	<u>501</u>
OTHER ASSETS		
Investments	438,207	339,411
Investments - endowment	<u>91,658</u>	<u>68,603</u>
TOTAL OTHER ASSETS	<u>529,865</u>	<u>408,014</u>
TOTAL ASSETS	<u>\$ 706,822</u>	<u>\$ 513,983</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 4,724	\$ 3,482
Accrued liabilities	<u>14,495</u>	<u>8,834</u>
TOTAL CURRENT LIABILITIES	<u>19,219</u>	<u>12,316</u>
NET ASSETS		
Without donor restrictions	172,834	94,613
Without donor restrictions - board designated	6,412	6,046
With donor restrictions	<u>508,357</u>	<u>401,008</u>
TOTAL NET ASSETS	<u>687,603</u>	<u>501,667</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 706,822</u>	<u>\$ 513,983</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020 (AUDITED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions income	\$ 101,317	\$ 191,596	\$ 292,913
Grants - general operating	101,113	-	101,113
Grants - project restricted	-	690,436	690,436
Program service fees	43,628	-	43,628
In-kind contributions	250	726,000	726,250
Interest and dividend income	9,221	-	9,221
Investment gains and losses	24,320	12,688	37,008
Net assets released from restriction	<u>1,513,371</u>	<u>(1,513,371)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,793,220</u>	<u>107,349</u>	<u>1,900,569</u>
EXPENSES			
Program	1,637,645	-	1,637,645
Management and general	45,844	-	45,844
Fundraising	<u>31,144</u>	<u>-</u>	<u>31,144</u>
TOTAL EXPENSES	<u>1,714,633</u>	<u>-</u>	<u>1,714,633</u>
CHANGE IN NET ASSETS	78,587	107,349	185,936
NET ASSETS - BEGINNING OF YEAR	<u>100,659</u>	<u>401,008</u>	<u>501,667</u>
NET ASSETS - END OF YEAR	<u>\$ 179,246</u>	<u>\$ 508,357</u>	<u>\$ 687,603</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019 (REVIEWED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions income	\$ 112,765	\$ 39,747	\$ 152,512
Grants - general operating	66,861	-	66,861
Grants - project restricted	-	5,187	5,187
Program service fees	3,000	-	3,000
In-kind contributions	2,809	125,000	127,809
Interest and dividend income	15,588	-	15,588
Investment gains and losses	30,779	13,714	44,493
Net assets released from restriction	<u>176,933</u>	<u>(176,933)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>408,735</u>	<u>6,715</u>	<u>415,450</u>
EXPENSES			
Program	278,930	-	278,930
Management and general	38,698	-	38,698
Fundraising	<u>36,753</u>	<u>-</u>	<u>36,753</u>
TOTAL EXPENSES	<u>354,381</u>	<u>-</u>	<u>354,381</u>
CHANGE IN NET ASSETS	54,354	6,715	61,069
NET ASSETS - BEGINNING OF YEAR	<u>46,305</u>	<u>394,293</u>	<u>440,598</u>
NET ASSETS - END OF YEAR	<u>\$ 100,659</u>	<u>\$ 401,008</u>	<u>\$ 501,667</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020 (AUDITED)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation expense	\$ 247	\$ 56	\$ 45	\$ 348
Dues and subscriptions	6,059	866	1,730	8,655
Employee benefits	3,157	712	578	4,447
Fundraising expenses	-	-	4,165	4,165
In-kind expense - projects	726,000	-	-	726,000
Insurance	4,023	1,724	-	5,747
Miscellaneous	-	1,625	-	1,625
Office supplies	1,525	1,220	305	3,050
Payroll expenses	112,255	25,297	20,554	158,106
Postage and delivery	687	275	412	1,374
Printing and reproduction	2,584	431	1,292	4,307
Professional fees	41,957	11,350	-	53,307
Project expenses	726,250	-	-	726,250
Rent	8,254	1,860	1,512	11,626
Telephone	1,901	428	349	2,678
Training	925	-	-	925
Travel and entertainment	1,821	-	202	2,023
	<u>\$ 1,637,645</u>	<u>\$ 45,844</u>	<u>\$ 31,144</u>	<u>\$ 1,714,633</u>

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019 (REVIEWED)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation expense	\$ 273	\$ 61	\$ 50	\$ 384
Dues and subscriptions	5,434	776	1,553	7,763
Employee benefits	5,590	1,260	1,023	7,873
Fundraising expenses	-	-	7,740	7,740
In-kind expense - operating	-	-	2,809	2,809
In-kind expense - projects	125,000	-	-	125,000
Insurance	3,912	1,676	-	5,588
Miscellaneous	-	1,110	-	1,110
Office supplies	802	641	160	1,603
Payroll expenses	104,809	23,619	19,191	147,619
Postage and delivery	824	329	494	1,647
Printing and reproduction	3,620	603	1,811	6,034
Professional fees	5,826	6,475	-	12,301
Project expenses	10,445	-	-	10,445
Rent	7,674	1,729	1,406	10,809
Telephone	1,858	419	340	2,617
Training	1,282	-	-	1,282
Travel and entertainment	1,581	-	176	1,757
	<u>\$ 278,930</u>	<u>\$ 38,698</u>	<u>\$ 36,753</u>	<u>\$ 354,381</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 (AUDITED) AND 2019 (REVIEWED)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 185,936	\$ 61,069
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	348	384
(Gain) loss on investments	(37,008)	(44,493)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Other current assets	2,332	-
Increase (decrease) in:		
Accounts payable	1,242	(1,172)
Accrued liabilities	<u>5,661</u>	<u>524</u>
NET CASH FROM OPERATING ACTIVITIES	<u>158,511</u>	<u>16,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(1,774)	-
Proceeds from sale of investments	50,329	5,445
Purchase of investments	<u>(135,172)</u>	<u>(22,824)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(86,617)</u>	<u>(17,379)</u>
NET CHANGE IN CASH	71,894	(1,067)
CASH - BEGINNING OF YEAR	<u>101,811</u>	<u>102,878</u>
CASH - END OF YEAR	<u>\$ 173,705</u>	<u>\$ 101,811</u>
SUPPLEMENTAL DISCLOSURE		
Noncash operating activities:		
Donated easements	\$ 726,000	\$ 125,000
In-kind services	<u>250</u>	<u>2,809</u>
	<u>\$ 726,250</u>	<u>\$ 127,809</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Flathead Land Trust is a non-profit organization incorporated under the laws of Montana in 1985 as a membership organization. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is dedicated to the conservation of Northwest Montana's land and water legacy through voluntary conservation easement agreements with private landowners. The Organization partners with community members to preserve the natural resources, scenic beauty and rural character of the Flathead Valley. These voluntary conservation easements preclude changes that would negatively affect the property, primarily subdivision and development. The Organization's support comes primarily from individual and business contributions as well as private and federal grants.

Basis of Reporting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times the cash balances may exceed FDIC insurance limits. The Organization will monitor the cash balances for any activity that results in balances exceeding the maximum FDIC insurance, then take action to ensure that the Organization's cash balances are fully insured.

Property and Equipment

Property and equipment is stated at cost and depreciated on the straight line method over estimated useful lives. Office furniture and equipment is depreciated over estimated useful lives of 5 to 7 years. Repairs, maintenance, and purchases of minor equipment (equipment costing less than \$500) are not capitalized.

Investments

Investments are reported at fair value based on quoted market prices. Interest, dividends, and realized and unrealized gains and losses are included in investment income.

Accrued Leave Payable

Employees earn paid leave based on years of service with a maximum of 10 days of vacation carryover allowed per calendar year for full-time employees. Part-time employees accrue vacation at a pro-rated rate. The amount of accrued leave at December 31, 2020 and 2019, was \$8,219 and \$3,408, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as either with donor restrictions or without donor restrictions in accordance with donor stipulations. Unconditional promises to give with payments due in future periods are recognized as revenue with donor restrictions. Restricted contributions whose restrictions are met within the same reporting period are accounted for as support without donor restrictions. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available.

In-kind Contributions

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed conservation easements, at their appraised or estimated values. The Organization recognizes the fair value of contributed services received if such services a) create or enhance non-financial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation expense	Historical usage
Dues and subscriptions	Historical usage
Employee benefits	Time and effort
Insurance	Historical usage
Office supplies	Historical usage
Payroll expenses	Time and effort
Postage and delivery	Historical usage
Printing and reproduction	Historical usage
Rent	Historical usage
Telephone	Historical usage
Travel and entertainment	Historical usage

Advertising Costs

The cost of advertising and marketing is expensed as incurred.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Return of Organization Exempt From Income Tax (Form 990) is subject to examination by the taxing authorities, generally, for three years after they were filed or the due date of the return; whichever is later.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 -- INVESTMENTS

Investments are presented in the financial statements at fair market value. Investments are maintained in custodial accounts with investment firms and are primarily composed of cash instruments, certificates of deposit, and mutual funds at their listed prices. Investment expenses netted against investment earnings for the year ended December 31, 2020 and 2019, were inconsequential. As of December 31, 2020 and 2019, the Board of Directors had designated \$6,412 and \$6,046, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 -- INVESTMENTS (CONTINUED)

The investments' basis and market value information is as follows as of December 31:

	2020		2019	
	Cost	FMV	Cost	FMV
Equities	\$ -	\$ -	\$ 2,517	\$ 2,584
Mutual funds	261,955	340,149	248,230	294,832
Certificates of deposit	72,204	73,758	92,144	93,630
Cash instruments	<u>115,958</u>	<u>115,958</u>	<u>16,968</u>	<u>16,968</u>
Total	<u>\$ 450,117</u>	<u>\$ 529,865</u>	<u>\$ 359,859</u>	<u>\$ 408,014</u>

NOTE 3 -- FAIR VALUE MEASUREMENTS

The Organization follows FASB ASC 820, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the year ended using the market and income approaches. The market approach was used for Level 1.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 -- FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2020: Investments	<u>\$ 529,865</u>	<u>\$ 529,865</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2019: Investments	<u>\$ 408,014</u>	<u>\$ 408,014</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 -- ENDOWMENT

The Organization's endowment consists of mutual funds and includes donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the following as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as perpetual is classified as temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 -- ENDOWMENT (CONTINUED)

In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Changes in Endowment Net Assets for the year ended December 31, 2020:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,046	\$ 62,557	\$ 68,603
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	367	12,688	13,055
Contributions	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Endowment net assets, end of year	<u>\$ 6,413</u>	<u>\$ 85,245</u>	<u>\$ 91,658</u>

Changes in Endowment Net Assets for the year ended December 31, 2019:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,248	\$ 38,843	\$ 44,091
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	798	13,714	14,512
Contributions	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Endowment net assets, end of year	<u>\$ 6,046</u>	<u>\$ 62,557</u>	<u>\$ 68,603</u>

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 -- ENDOWMENT (CONTINUED)

The portion of the endowment whereby the donor has stipulated that the funds be maintained in perpetuity at December 31, 2020 and 2019, was \$45,120 and \$35,120, respectively. There were \$40,125 and \$27,437 in endowment funds with donor restrictions that are temporary in nature at December 31, 2020 and 2019, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

NOTE 5 -- PAYCHECK PROTECTION PROGRAM LOAN

In April 15, 2020, the Organization was granted a loan from Glacier Bank in the amount of \$32,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The loan was fully forgiven on December 14, 2020 and as such has been reported as grants - general operating on the statement of activities.

NOTE 6 -- OPERATING LEASE

The Organization leases office space with monthly payments of \$875 as of December 31, 2020. Payments on the lease for the years ended December 31, 2020 and 2019, were \$10,325 and \$10,050

The following is a schedule of future minimum lease payments required by the operating lease:

Year ending December 31,

2021	<u>\$ 5,250</u>
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FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 -- RETIREMENT PLAN

The Organization has a voluntary SIMPLE IRA plan, which covers all employees. The Organization matches employee contributions up to 3% of their wages and employees can contribute additional amounts as permitted by law. The amount contributed to the retirement plan by the Organization was \$4,204 and \$4,067 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 -- RISK MANAGEMENT

The Organization faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers compensation, (d) and employee medical insurance. The risks are mitigated through the use of commercial insurance and there were no significant changes in how the Organization covered its risks in 2020 and 2019.

NOTE 9 -- NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Not subject to appropriation or expenditure:		
Endowed funds	\$ 45,120	\$ 35,120
Subject to expenditure for specified purpose:		
Land protection assistance	5,835	12,893
Stewardship	310,697	257,013
Projects	106,580	68,545
To be appropriated	<u>40,125</u>	<u>27,437</u>
	<u>463,237</u>	<u>365,888</u>
Net assets with donor restrictions	<u>\$ 508,357</u>	<u>\$ 401,008</u>

Net assets without donor restrictions were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 172,834	\$ 94,613
Board designated endowment funds	<u>6,412</u>	<u>6,046</u>
Net assets without donor restrictions	<u>\$ 179,246</u>	<u>\$ 100,659</u>

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 -- AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 173,705	\$ 101,811
Investments	<u>529,865</u>	<u>408,014</u>
Total financial assets	<u>703,570</u>	<u>509,825</u>
Less amounts not available for use within one year:		
Net assets with donor restrictions	508,357	401,008
Net assets designated by the Board	<u>6,412</u>	<u>6,046</u>
	<u>514,769</u>	<u>407,054</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 188,801</u>	<u>\$ 102,771</u>

The Organization currently maintains an average of three months of operating expenses in reserves. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. If these amounts are insufficient to meet cash flow needs, the board has the ability to apply for a line of credit.

NOTE 11 -- COMMITMENT

On December 10, 2019 the Organization signed an option agreement for the purchase of real property with Columbia Falls Aluminum Company, LLC for the irrevocable and exclusive right and option to acquire approximately 800 acres located east of Columbia Falls and south of the mainstem of the Flathead River. The Organization paid \$5,000 for this option, which will be treated as a credit toward the final purchase price at closing. The initial option was set to expire on July 31, 2020 and as such was extended through December 31, 2021 with an additional \$5,000 payment.

NOTE 12 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2021, the date on which the financial statements were available to be issued.